

# Exhibit E

**In The Matter Of:**

***(C-"FHFA-ALL") FEDERAL HOUSING FINANCE AGENCY,  
ETC.***

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***RICHARD F. SYRON - Vol. 1***  
***November 22, 2013***

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**MERRILL CORPORATION**  
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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6189 (DLC)

HSBC NORTH AMERICA HOLDINGS,  
INC., et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6190 (DLC)

BARCLAYS BANK PLC, et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6192 (DLC)

DEUTSCHE BANK AG, et al.,

Defendants.

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

Plaintiff,  
vs. 11 Civ. 6193 (DLC)

FIRST HORIZON NATIONAL  
CORP., et al.,

Defendants.

-----x  
DATE: November 22, 2013

WITNESS: Richard F. Syron

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1

2

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.

3

Plaintiff,

4

vs. 11 Civ. 6195 (DLC)

5

BANK OF AMERICA CORP., et al.,

6

Defendants.

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-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

8

Plaintiff,

9

vs. 11 Civ. 6198 (DLC)

10

GOLDMAN, SACHS & CO., et al.,

11

Defendants.

12

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

13

Plaintiff,

14

vs. 11 Civ. 6200 (DLC)

15

CREDIT SUISSE HOLDINGS  
(USA), Inc., et al.,

16

Defendants.

17

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

18

Plaintiff,

19

vs. 11 Civ. 6201 (DLC)

20

NOMURA HOLDING AMERICA,  
INC., et al.,

21

Defendants.

22

-----x

23

24

25

26

1

2

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

3

Plaintiff,

4

vs. 11 Civ. 6202 (DLC)

5

MERRILL LYNCH & CO.,  
INC., et al.,

6

Defendants.

7

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

8

Plaintiff,

9

vs. 11 Civ. 6203 (DLC)

10

SG AMERICAS, INC., et al.,

11

Defendants.

12

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

13

Plaintiff,

14

vs. 11 Civ. 6739 (DLC)

15

MORGAN STANLEY, et al.,

16

Defendants.

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-----x

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RICHARD F. SYRON - 11/22/2013

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1

2

IN THE UNITED STATES DISTRICT COURT

3

DISTRICT OF CONNECTICUT

4

-----x  
FEDERAL HOUSING FINANCE AGENCY, etc.,

5

Plaintiff,

6

vs.

Case No.

3:11-cv-01383-AWT

7

THE ROYAL BANK OF SCOTLAND  
GROUP PLC, et al.,

8

Defendants.

9

-----x

10

November 22, 2013

11

9:16 a.m.

12

13

14

Videotaped deposition of RICHARD F.

15

SYRON, pursuant to notice, held at the

16

offices of Mayer Brown LLP, 1999 K Street,

17

NW, Washington, DC, before Gail F. Schorr,

18

a Certified Shorthand Reporter, Certified

19

Realtime Reporter and Notary Public within

20

and for the State of New York.

21

22

23

24

25

1

2 at the top?

3 A. Sorry, I was looking at 17 on  
4 the bottom.

5 Q. I didn't see any page number.

6 MR. COREY: If you go later on  
7 it starts --

8 A. Statement of Richard Syron, I  
9 see halfway, two-thirds of the way down.

10 Q. Right. And then what follows  
11 there are some remarks that you made at  
12 the hearing, right?

13 A. Correct.

14 Q. If you could just turn to the  
15 next page, page 18 now.

16 A. Can I read 17?

17 Q. Sure.

18 A. Okay.

19 Q. I'd like to ask you to turn  
20 over to the next page actually, page 18.

21 A. Okay.

22 Q. And this is still in your  
23 statement. The last full paragraph on  
24 the page says "The subprime market was  
25 developed largely by private label

1

2 participants, as were most

3 non-traditional mortgage products.

4 Freddie Mac entered the non-traditional

5 slice of the market because, as the

6 private lending sector shifted toward

7 those type of loans, Freddie needed to

8 participate in order to carry out its

9 public mission of promoting

10 affordability, stability, and liquidity

11 in housing finance."

12 Do you see that?

13 A. Yes.

14 Q. Was that a true statement at  
15 the time you made it to Congress?

16 A. Yes.

17 Q. If you could turn ahead to  
18 page 122 in this same document.

19 A. Numbered at the top?

20 Q. Yes, numbered at the top.

21 A. Yes. I don't have page 122.

22 Oh, it's on the back side, sorry.

23 Q. Are you at page 122 now?

24 A. Yes, I do.

25 Q. About, let's see, about 11



1

2 lines down or so there's a line that says  
3 "Mr. McHenry. Good luck I hear." Do you  
4 see that?

5 A. Yes.

6 Q. Then it says, Mr. McHenry  
7 continuing, it says "Okay, in order to  
8 fulfill your affordable housing goal,  
9 instituted and given to you by Congress,  
10 did you feel in order to fulfill that  
11 affordable housing goal, did you feel  
12 pressure from Congress to do riskier  
13 mortgages, perhaps more borderline  
14 mortgages? We will start with Mr. Raines  
15 and we'll go right down the list. Yes or  
16 no?"

17 A few lines down we come to  
18 Mr. McHenry and he says "Mr. Syron."  
19 Then it says "Mr. Syron. As the goals  
20 went up and the goals were specified by  
21 HUD, you inevitably, to make more  
22 progress, had to take more risk.

23 "Mr. McHenry. So in order to  
24 make more progress with your affordable  
25 housing goal, you had to make riskier

1

2 mortgages?"

3 "Mr. Syron. Buy riskier

4 mortgages."

5 Do you see that?

6 A. Yes.

7 Q. Was that truthful testimony at  
8 the time you gave it to Congress?

9 A. Yes.

10 Q. I'd like you to go back to the  
11 board deck if you would, which was  
12 Exhibit 34602.

13 MR. COREY: Are we finished  
14 with this?

15 MR. STARK: For the moment.  
16 We'll come back to it.

17 Q. I'd like to go to page 50.  
18 Are you at page 50?

19 A. Yes.

20 Q. And this page is headed  
21 "Subprime ABS provides several benefits."  
22 Do you see that?

23 A. Yes.

24 Q. And then there's some mention  
25 of economic benefits and underneath that

1

2       it says "Expected ROE 17 percent." Does  
3       that refer to return on equity?

4             A.     Yes.

5             Q.     And the next bullet says  
6       "Agency option adjusted spread 30 bp," or  
7       basis points. Do you see that?

8             A.     Yes.

9             Q.     Do those bullets taken  
10       together indicate that, as you mentioned  
11       earlier, PLS were a relatively profitable  
12       investment for Freddie Mac?

13             MR. COREY: Objection, form.

14             A.     Yes.

15             Q.     Then the next subheading says  
16       "Supports our housing goals/sub-goals."  
17       Do you see that?

18             A.     Yes.

19             Q.     And then there's a chart  
20       underneath that. Do you understand that  
21       chart to be illustrating how subprime or  
22       nonprime PLS contributed to Freddie Mac  
23       meeting its housing goals and sub-goals?

24             A.     Yes.

25             MR. COREY: Objection.

1

2

Objection, form. Just looking at

3

the chart?

4

MR. STARK: I'm just asking

5

for his understanding.

6

I'll mark the next exhibit,

7

34616.

8

(Syron Exhibit 34616 for

9

identification, document entitled

10

"Analysis of Freddie Mac's

11

asset-backed securities portfolio,"

12

dated February 28th, 2008.)

13

Q. Mr. Syron, we've handed you

14

now what's been marked as Exhibit 34616.

15

A. Yes.

16

Q. Do you recognize this

17

document?

18

A. Not right now, no.

19

Q. This is entitled "Analysis of

20

Freddie Mac's asset-backed securities

21

portfolio," dated February 28th, 2008.

22

Do you recall in the time frame around

23

February 2008 Freddie Mac putting

24

together something called the white paper

25

about Freddie Mac's asset-backed

1

2 securities portfolio?

3 A. No, I don't recall it, but  
4 white paper rings a bell.

5 Q. You don't recall that  
6 specifically. Okay.

7 Let's turn to page 3 just  
8 briefly. Right at the top of the page  
9 under the heading "ABS portfolio  
10 overview" --

11 A. I'm sorry, I'm on the wrong  
12 page.

13 MR. GREEN: Page 3.

14 A. I'm sorry.

15 Q. Right at the top of the page  
16 it says "Between 2004 and mid-2007, the  
17 significant growth in mortgage debt  
18 outstanding, coupled with the increased  
19 share of ABS, allowed Freddie Mac to  
20 deploy capital at rates of return that  
21 surpassed those in the traditional agency  
22 mortgage securities market, while  
23 purchasing assets that were highly  
24 supportive of the company's affordable  
25 housing goals and sub-goals."

1

2

Do you see that?

3

A. Yes. Let me -- I'm sorry, I

4

have a hard time seeing, my glasses got

5

stepped on, or got --

6

MR. GREEN: Read the whole

7

paragraph.

8

A. Okay.

9

Q. And the text that I read,

10

based on your time as the head of Freddie

11

Mac, is that an accurate statement?

12

A. I'm sorry, I forgot what you

13

read.

14

Q. I read the first four lines of

15

that paragraph.

16

A. Ending with sub-goals?

17

Q. Correct.

18

A. Yes.

19

Q. Yes, that's accurate?

20

A. Yes.

21

Q. Now, Mr. Syron, during your

22

time at Freddie Mac you received

23

compensation that was at least in part

24

based on an evaluation of your

25

performance during the year, right?

1

2 A. Yes.

3 Q. And there was a sort of  
4 scorecard that was used to evaluate your  
5 performance; is that right?

6 A. Yes.

7 Q. And what factors were included  
8 in that scorecard?

9 A. Well to simplify it, the most  
10 important factors were remediating the  
11 organization at Freddie Mac and getting  
12 the, getting our accounting up to date  
13 and getting ourselves rated -- excuse me,  
14 registered with the SEC.

15 Q. And there were other factors  
16 on the scorecard as well, right?

17 A. Yes.

18 Q. And meeting housing goals was  
19 part of how you were evaluated, right?

20 A. Yes.

21 Q. And --

22 A. I don't remember, but I  
23 believe so.

24 Q. Okay. Let's look at a  
25 document.

1

2

MR. STARK: Let's mark the

3

next exhibit, 34617.

4

(Syron Exhibit 34617 for

5

identification, letter from Mr.

6

Syron to the stockholders of

7

Freddie Mac dated May 7th, 2007,

8

with attached proxy statement.)

9

Q. Mr. Syron, you have now before

10

you what's been marked as Exhibit 34617.

11

A. Yes.

12

Q. This begins with a letter from

13

you to the shareholders of Freddie Mac

14

dated May 7th, 2007, right?

15

A. Yes.

16

Q. And attached to it is Freddie

17

Mac's proxy statement; is that right?

18

A. Yes.

19

Q. And are you generally familiar

20

with this document?

21

A. I was at the time.

22

Q. Let's turn to page 40 in the

23

proxy statement. Do you have page 40?

24

A. Yes.

25

Q. And under the heading "Annual



1

2 bonuses," third paragraph down from that  
3 it says "The 2006 bonus funding scorecard  
4 included the following performance areas  
5 and related objectives."

6 Do you see that? It carries  
7 over to the next page.

8 A. No. I don't see it. Where is  
9 it?

10 Q. Page 40.

11 A. Page 40.

12 Q. Do you see the annual bonuses  
13 heading?

14 A. Yes.

15 Q. Go down three paragraphs?

16 A. Yes.

17 Q. It says "the 2006 bonus  
18 funding scorecard included the following  
19 performance areas and related  
20 objectives."

21 A. I must -- oh, oh, I was  
22 looking under the wrong thing. Yes, I  
23 see that.

24 Q. You've got it, okay. And then  
25 underneath what I just read there's a

1

2 series of bullets carrying over to page  
3 41, right?

4 A. Yes.

5 Q. And each of these bullets  
6 represented an element of how your bonus  
7 was evaluated for 2006, right?

8 A. This was not just my bonus.  
9 This was how the bonuses were determined  
10 for the named executive officers.

11 Q. For you and for other officers  
12 at Freddie Mac, right?

13 A. Right, but I'm not sure the  
14 weights were the same on each one.

15 Q. You see the first bullet under  
16 the line I read is headed "Mission"?

17 A. Yes.

18 Q. And this refers to satisfying  
19 housing goals, right?

20 A. Yes.

21 Q. And was that in fact an  
22 element of the evaluation of your bonus  
23 for the year?

24 A. Yes.

25 Q. The next bullet is headed

1

2 "Shareholder value." Do you see that?

3 A. Yes.

4 Q. And that carries on through  
5 several subbullets, do you see that,  
6 going over to the next page?

7 A. Yes.

8 Q. And would shareholder value  
9 generally refer to profitability, the  
10 financial performance of the firm?

11 MR. COREY: Object to the  
12 form.

13 A. Shareholder value would mean,  
14 that, in effect, the long-term value of  
15 the corporation. It wouldn't be measured  
16 in short term in my opinion.

17 Q. If you look at the top of page  
18 41, at least one --

19 A. I'm sorry, I've got to take a  
20 minute to clean my glasses. I got them  
21 scratched up on the floor and I'm having  
22 a hard time seeing. Okay.

23 Q. At the top of page 41 you see  
24 there's a subbullet under shareholder  
25 value is "Return on equity for new

1

2 business in both the guarantee and  
3 retained portfolios."

4 Do you see that?

5 A. Yes.

6 Q. And then three bullets down  
7 "accomplishing a specific growth goal for  
8 a guarantee portfolio," do you see that?

9 A. Yes.

10 Q. And below that "accomplishing  
11 a specific growth goal for our retained  
12 portfolio," do you see that?

13 A. Yes.

14 Q. And the retained portfolio  
15 included the PLS, right?

16 A. Yes.

17 Q. And so would it be accurate to  
18 say that achieving growth goals within  
19 PLS would have possibly affected your  
20 bonus?

21 MR. COREY: Objection, form.

22 A. In my discussion with the  
23 compensation committee, with the chairman  
24 of the compensation committee, the  
25 greatest attention was placed on, as I

1

2 said before, financial reporting and some  
3 of these other measures. I think this  
4 may have referred more -- I think coming  
5 from me, but I think it referred more to  
6 people in the investment area.

7 Q. This would have carried some  
8 weight on your bonus but more for people  
9 in the investment area, is that what  
10 you're saying?

11 MR. COREY: Objection to form.

12 A. I don't know.

13 Q. Were others, other executives  
14 at Freddie Mac besides you also rated for  
15 their bonuses on whether Freddie Mac  
16 achieved its HUD goals?

17 A. Yes. I want to come back to  
18 this. It wasn't necessarily achieved.  
19 How Freddie Mac did in meeting those  
20 goals. Because remember I had said about  
21 my discussions with Secretary Jackson.

22 Q. I see. So it wasn't, it  
23 wasn't binary whether you achieved or  
24 didn't achieve them?

25 A. Exactly.

1

2 Q. But coming closer to or  
3 achieving the HUD goals would be a good  
4 thing for your bonus, right?

5 MR. COREY: Objection, form.

6 A. Yes.

7 Q. And it would have been a good  
8 thing for other executives' bonuses at  
9 Freddie Mac; is that right?

10 MR. COREY: Same objection.

11 A. Yes.

12 Q. Would it be fair to say that  
13 you and the other executives at Freddie  
14 Mac wanted to make sure that you came as  
15 close as you could to satisfying the HUD  
16 goals?

17 A. I think subject to safety and  
18 soundness considerations.

19 Q. In general, yes, you were  
20 striving to meet the HUD goals, right?

21 A. Everything else --

22 MR. COREY: Objection,  
23 misstates the testimony.

24 A. Everything else being the  
25 same.

1

2

Q. Everything else being the same  
the answer to my question is yes; is that  
right?

3

4

A. Yes.

5

MR. COREY: Same objection.

6

Same objection.

7

8

Q. Incidentally, was the  
scorecard for evaluating your and other  
executives' bonuses at Freddie Mac, was  
it the same in 2007 as in 2006?

9

10

11

MR. COREY: Objection, form.

12

A. I don't know.

13

(Syron Exhibit 34618 for  
identification, letter from Mr.  
Syron to the stockholders of  
Freddie Mac dated April 29, 2008,  
with attached proxy statement.)

14

15

16

17

18

Q. You now have, sir, before you  
what we've marked as Exhibit 34618.

19

20

A. Yes.

21

22

Q. And this one starts with a  
letter from you to the stockholders of  
Freddie Mac dated April 29, 2008, do you  
see that?

23

24

25

1

2 A. Yes.

3 Q. And then what follows is the  
4 proxy statement to the shareholders,  
5 right?

6 A. I'm sorry, I didn't hear what  
7 you said.

8 Q. What follows then is the proxy  
9 statement for the shareholders?

10 A. Yes.

11 Q. And if you turn to page 43 in  
12 this exhibit.

13 A. It's paginated at the bottom  
14 in this?

15 Q. At the bottom, yes.

16 A. Okay.

17 Q. And you'll see there at the  
18 top of the page a heading that says  
19 "Annual bonuses"?

20 A. Yes.

21 Q. And here then there's a  
22 section beginning three paragraphs below  
23 that that says "The 2007 bonus funding  
24 scorecard contained a balanced set of  
25 performance measures that integrated